

AR49

Saskatchewan Telecommunications ANNUAL REPORT 1978



CONTENTS

	Page
Directors	2-3
Highlights	1
Review of Activities	4
Auditor's Report	12
Financial Statements	12-17
Ten-Year Review	18-19

GRAPHS

	Page
Long Distance Messages	4
Telephones Switched by SASK TEL	4
Components of Revenue	12
Components of Expense	13
Source of Funds	13
Application of Funds	13

Saskatchewan Telecommunications
ANNUAL REPORT
nineteen seventy-eight

HIGHLIGHTS

THE REPORT AT A GLANCE

- Number of telephones in service reached an all time high of 551,053.
- A record of 59,108,000 long distance calls originated in Saskatchewan.
- Gross construction expenditures for the year were \$97.0 million.
- Operating revenues increased 21.4% to \$164.4 million.
- Operating expenses increased 18.7% to \$117.2 million.
- Net income amounted to \$19.5 million, up 8.5% over 1977.
- A dividend of \$9,725,000 was appropriated to the Crown Investments Corporation of Saskatchewan.

Regina, Saskatchewan.
February 23, 1979

To His Honour,
The Honourable C. Irwin McIntosh,
Lieutenant Governor of the
Province of Saskatchewan.



Dear Sir:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1978, including the financial statements therefor, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Telecommunications Act.

I have the honour to be Sir,
Your obedient servant,

A handwritten signature in dark ink, appearing to be 'D. B. ...', written over a horizontal line.

Minister of Telephones and
Chairman Saskatchewan
Telecommunications



DIRECTORS

2. Left to right:

D. G. McMillan — Regina

G. W. McIntyre — Secretary

W. E. Clarke — Regina

A. L. M. Nelson — General Manager

Hon. D. W. Cody — Chairman

Mrs. F. Peterson — Biggar

P. M. Kilburn — Regina

A. A. Voegeli — Regina

F. Senft — Lipton

Missing from photograph:

Hon. R. J. Romanow — Saskatoon

J. D. Nieman — Englefeld

J. J. West — Foam Lake

3. J. Houston, Assistant to the General Manager, F. A. Degenstein, Director of Operations and S. F. Lee, Director of Engineering and Planning.



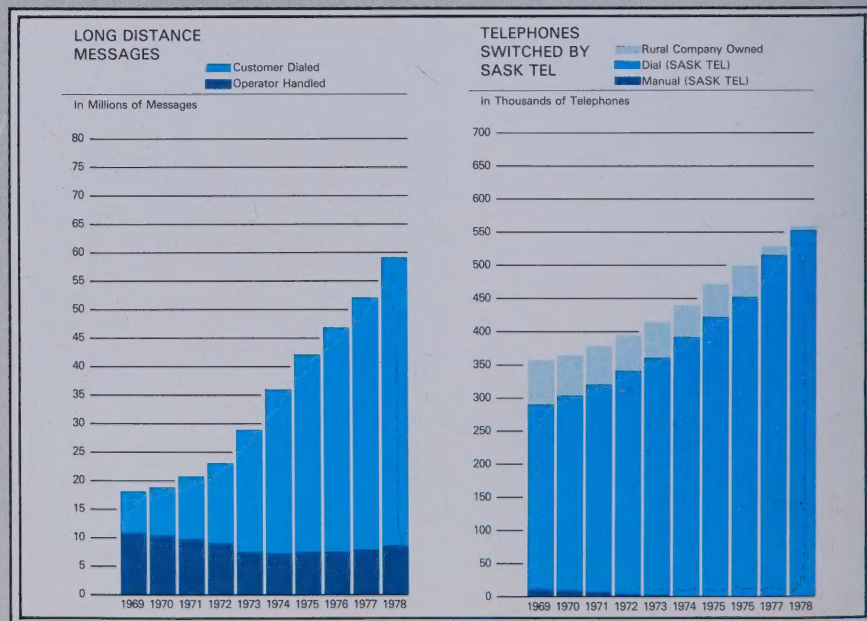
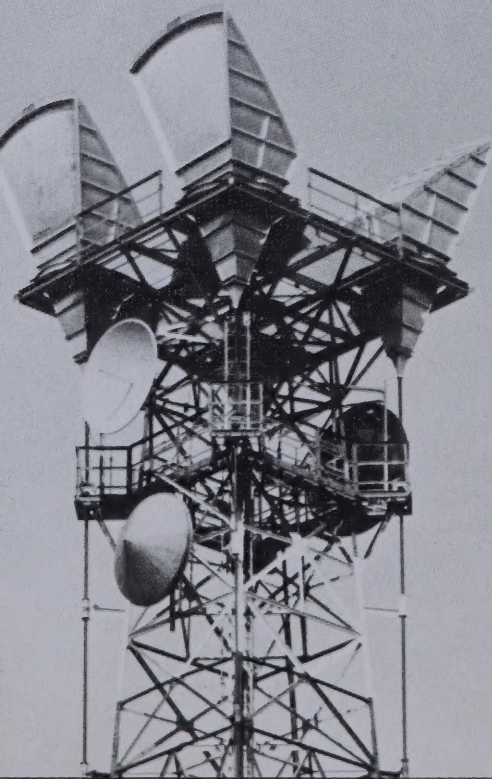
INTRODUCTION

The past year can best be described as a year of continuing challenge to meet the growing communications needs and service requirements of Saskatchewan residents.

The 1970's, and in particular 1978, will be remembered as a period of accelerated change, and of shifting social, economic, technological and regulatory environments. The Corporation will continue to face the challenges presented by the emerging technologies of satellites and fibre optics as they integrate with existing facilities to ensure that our customers continue to have the high quality dependable service which is characteristic of our industry and of SASK TEL.



4. Pete Orchison, Commissionaire and A. L. M. Nelson, General Manager.



LONG DISTANCE

The demand for long distance service continued its upward trend during 1978. To year end, 59,108,000 long distance calls had been made by people in Saskatchewan, a 13.3% increase over the previous year. Of this record high total, 85.8% were customer dialed.

Over the years many milestones have been achieved in the numbers of long distance calls completed and 1978 was no exception. May marked the first month in which the total number of calls originating in the province exceeded five million.

The results of months of planning were realized in March 1978 when a service known as 0+ (Zero Plus) dialing became available to subscribers in Saskatoon, Rosetown, Humboldt, Biggar, Kindersley, Wadena and Wynyard. Customers in these centres can now dial their own operator assisted calls, including paystation, hotel, person-to-person, collect, credit card, third number billing and calls when time and charges are requested. The new service, made possible with the advent of computer controlled switching equipment, greatly reduces the average time an operator needs to complete a call.

Zero Plus is part of the Traffic Operator Position System (TOPS) which was developed to handle increasing rising volumes of operator-assisted long distance calls. With TOPS, the conventional cord and jack switchboard is replaced with a keyboard terminal and a video screen for visual display of information.

Midway through the year a modified phone bill was introduced to subscribers. An additional column was added to show customers the duration of individual long distance calls.

During 1978 a total of 15 communities received Automatic Number Identification (A.N.I.) service bringing the total of centres served by similar systems to 38. A.N.I. is an equipment addition to existing switching facilities that automatically records the calling customer's number whenever a direct dialed call is made. This provides for faster service as the equipment eliminates the need for customers to verbally give the operator their number.

In December, for the first time, operators in Regina and Saskatoon were able to place overseas calls direct, without going through an overseas operator in either Vancouver or Montreal. As a result of the change, long distance operators in Regina and Saskatoon, now designated as International Overseas Toll Centres, can dial directly to some 27 overseas countries.

6. A submarine cable being laid across Buffalo Pound Lake.

7. The duct rodder and cable puller streamlines the job of installing cable in underground ducts.

8. Gladys Roset (left) and G. A. Spencer, General Traffic Manager



The growing demand for long distance service over the year necessitated the installation of additional toll circuits. The increases were attained by installing microwave radio and multiplex equipment and by burying hundreds of kilometers of wire and cable.

As well, major long distance switching extensions were completed at the Regina, Saskatoon, Swift Current, Weyburn and Estevan Toll Centres.

LOCAL SERVICE

At year end there were 551,053 telephones in service, an increase of 34,741 over the previous year. The net gain of telephones in service was brought about as the result of 172,792 phones being installed and 138,051 disconnected.

In order to help meet the increased demand for local service, major switching extensions were placed in service during the year at Regina, Saskatoon and Prince Albert.

A program to expand touch calling to all areas of the province began late in 1978. Over the length of the program all of SASK TEL's 342 Community Dial Offices (CDO's) will be converted to enable them to handle touch calling.

Late in the year North Battleford moved into the electronic age with the commissioning of a \$3.9 million electronic switching machine. The 10,000 line machine is the tenth computer controlled switching system to be placed in service by the Corporation over the last four years.

During the year the five Saskatchewan communities of Glentworth, Gerald,

9. Sophisticated switching systems allowed the Corporation to meet the growing demand for service.



Lancer, Craven and Duval were upgraded from multi-party line service to individual line service. In 1979, under this ongoing service improvement program, an additional 11 communities will receive individual line service.

EMPLOYEES

In 1978, as in the last few years, the Corporation continued to provide increasingly sophisticated services to its customers. Although rapid advances in technology are creating new and better telecommunications services, it still takes people to make things happen.

A large number of training programs took place during the year to help employees keep abreast of changing technology. The many courses offered helped employees improve their job performance by adding to their knowledge and skills.

SASK TEL continued its assistance to employees for "after hours" training during the year by sharing the cost of approved courses after they had been successfully completed.

SASK TEL's ability to provide high quality service at the lowest possible cost is due, to a large extent, to the skill and dedication of its people.

A number of senior management changes occurred during the year. A. L. M. (Arnold) Nelson succeeded G. D. (Gill) McCormick as the Corporation's General Manager. A. G. (Archie) Thomas, Director of Operations and Assistant General Manager, retired from the Corporation and was succeeded by F. A. (Frank) Degenstein. Also during the year, J. (John) Houston returned from a period of loan to the Crown Investments Corporation and was appointed to the position of Assistant to the General

Manager. At year end, Hon. Donald W. Cody succeeded Hon. Neil E. Byers as Minister of Telephones and Chairman of SASK TEL.

The second part of a two year contract, signed in 1977 with the Communications Workers of Canada, took effect during the year.

Corporation employees who belong to the nine Telephone Employee Benevolent Funds throughout the province contributed generously to various social and welfare agencies. Their collective contributions through payroll deductions to the United Way and other worthwhile organizations exceeded \$100,000.

The tradition of honouring 25 year service employees, which began in 1955, continued last year with 39 employees receiving recognition for their long service to the Corporation.

The civic and service involvement of many employees continued to help improve the quality of life in their communities. Although it is impossible to individually list each employee's involvement, a sampling of their activities would include participation in such things as: service clubs, charitable groups, business organizations, volunteer assistance, sports programs and church work.



10



12



11



13

10. Contributions from employees helped many charitable organizations.

11. Zero Plus dialing was introduced to subscribers in the Saskatoon area during 1978.

12. H. E. Freberg, General Plant Manager.

13. E. A. McKillop, General Personnel and Public Relations Manager with J. M. Paterson, Nurse.

BUILDINGS

The pace of building construction slackened somewhat during 1978. However, several new buildings were completed with extensions added to a number of others. Renovations were carried out at various locations.

Three more Customer Service Centres, constructed at a cost of about \$700,000 each, were completed during the year at Weyburn, North Battleford and Prince Albert. Two more — at Saskatoon and Yorkton — were close to completion as 1978 drew to an end. The six Customer Service Centres (Regina's was opened in mid 1977) will help reduce the time required for install and repair by decentralizing work forces in the larger urban centres.

In addition to the three Customer Service Centres, smaller sub district work centres were completed at Rosthern and Lanigan. These two sub district buildings were required as part of a program to decentralize the Corporation's maintenance forces to provide subscribers with a better quality of service. Twenty-three similar work centres were built in 1977.

Throughout the year a number of the Corporation's Community Dial Offices and microwave radio buildings were expanded in preparation for the installation of switching extensions. The extensions were needed to handle the increased demand for local and long distance service.

During the year renovations were carried out at a number of locations including the Saskatoon business office, the main floor of the 1825 Lorne Street building in Regina and the second floor of the Regina 12th Avenue building.

Recognizing the increased demands for telecommunications services in the mineral rich northern area of the

14. Terry Hooey, (left) and P. Van Vliet, Chief Engineer.

15. Three more Customer Service Centres were completed during the year including this one in Prince Albert.

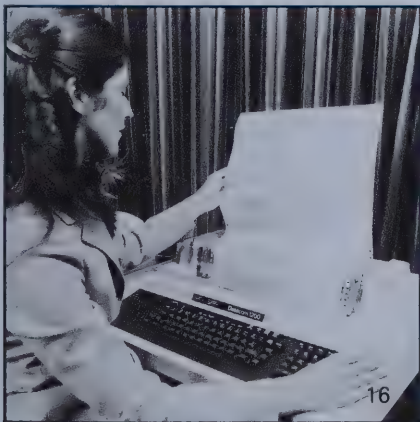


province, SASK TEL built a new switching centre in La Ronge. The Corporation's first digital switching machine will be installed in this building during 1979.

The Corporation's new head office building, part of the Cornwall Centre redevelopment project in downtown Regina, is currently in the final stages of design. Property acquisition for this development continued during the year. At year end, tenders had been let for the pilings. The building which will be thirteen floors in height when completed will be ready for occupancy beginning in the latter part of 1981.

16. Datacom 1200, the latest addition to the Computer Communications Group product line, was introduced in November.

17. Saskatoon and Regina operators can now place calls directly to 27 overseas countries.



PROGRAMS & SERVICES

Rural Service Improvement Program

Enthusiastic acceptance of the Corporation's Rural Service Improvement Program continued during 1978. In the second year of the program a total of 69 rural telephone companies with 4,688 subscribers were assimilated. At year end there were only 175 rural telephone companies, serving 9,040 subscribers still in operation in the province.

A total of 10,228 kilometers of cable and wire were buried under the 1978 portion of the Rural Service Improvement Program.

Many of the rural telephone companies were assimilated on an "as is" basis with improvements to take place over the duration of the \$100 million, seven year program.

In 1976, when the program was announced, 719 rural telephone companies, serving nearly 50,000 subscribers, were operating in Saskatchewan.

SPC Mobile Radio System Completed

The Corporation completed the installation of a province-wide private mobile radio system for Sask Power in

18. Left to right: (Standing) Heather Menzies, and J. A. Funk, Business Information Systems Manager; (sitting) Frank Kemmer and Bill Wepler.



1978. SASK TEL began installing the new system in 1975. In total, 1,195 mobile radios were installed in SPC vehicles throughout the province. Prince Albert was the last of Sask Power's ten superintendencies to receive the system which allows any mobile radio to have direct access to the DDD network without operator assistance.

Essentially, each of the Sask Power's ten administrative districts has its own radio system, complete with mobile radios, base stations and mobile radio repeaters. These are interconnected through small electronic switches which are interlinked through the DDD network.

With the new private mobile radio telephone system, Sask Power has the distinction of being one of the first power utilities in North America to have direct access to the telephone network without operator intervention.

Computer Communications

Datacom 1200, a new teleprinter, became the latest addition to the Computer Communications Group product line in November. The Datacom 1200 teleprinter, while complementing the existing line of teleprinters, has evolved to fill the needs of customers who require higher throughput and print capabilities as well as greater flexibility.

Over 500 visitors were attracted to the Computer Communications Update '78 when it came to the Saskatchewan Centre of the Arts at the end of May. The exhibit was designed to show present as well as potential customers the variety of data transmission equipment and services available to them.

A new data test centre which went into operation in 1977 in Regina was expanded during 1978 to handle the rapid growth in customer demands for data terminals. The centre, with five data test boards, is manned around the clock, 365 days a year. It provides rapid diagnosis of problems associated with all types of data equipment. At year end, a smaller but similar data test centre was in operation in Saskatoon.

Service to the North

The improvement of telecommunications to the residents of northern Saskatchewan continued during 1978.

Community Dial Offices, providing residents with individual line service for the first time, were established at Pinehouse, Wollaston Lake, Denare Beach and Turnor Lake.

Six more of the Corporation's new subscriber radio systems were installed throughout the year — at Anglin Lake, Cole Bay, Michel, Tower Beach, Michel Point and Camp Carmel. This new system is used to give multi-party line telephone service to small, isolated communities in northern Saskatchewan utilizing point to point radio.

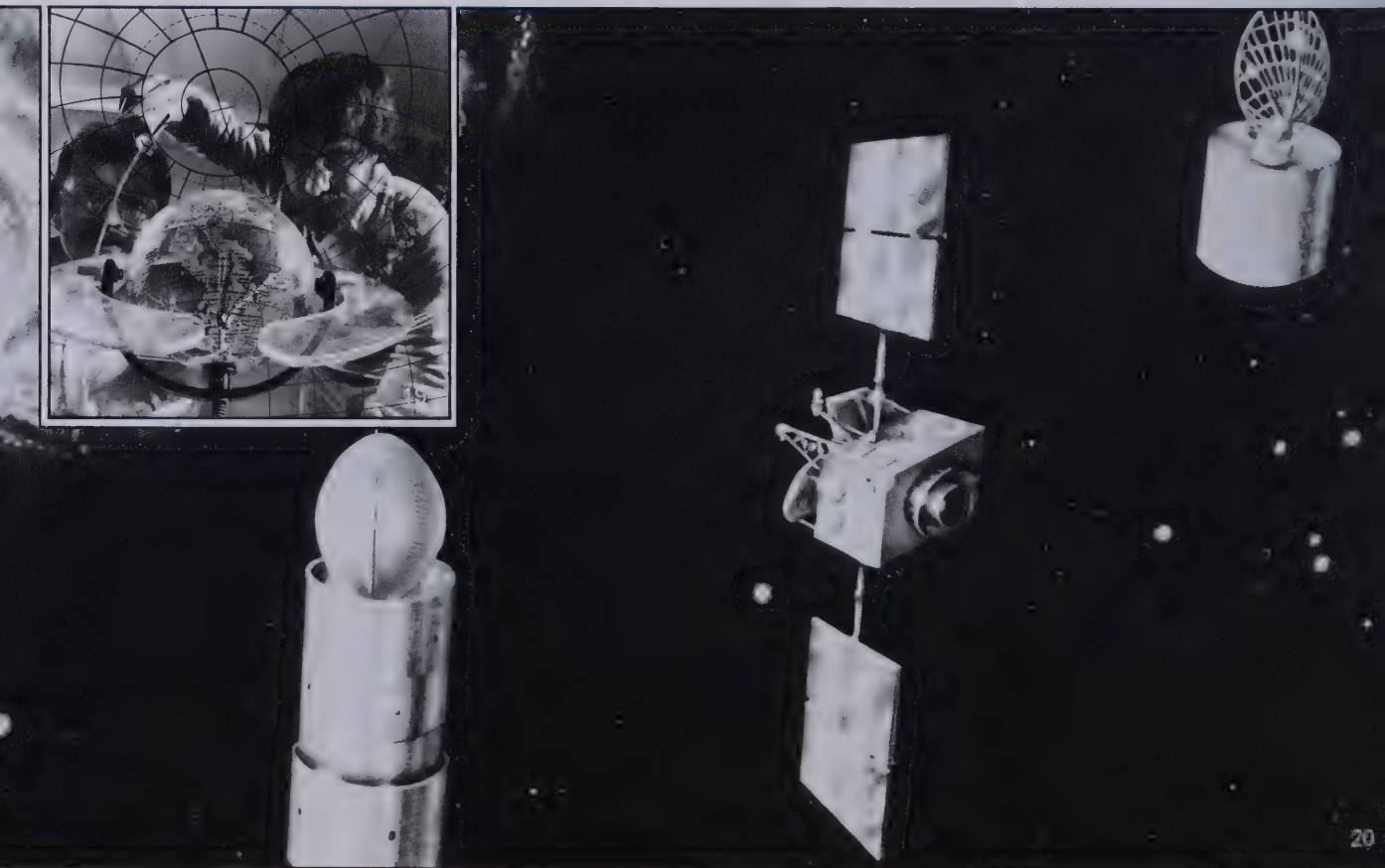
In much of northern Saskatchewan the terrain makes the burying of cable prohibitive. On the other hand, aerial cable is often difficult to maintain in the absence of a road network. Consequently this new system of point-to-point radio allows the provision of high quality service to northern residents.

Cable TV

The year 1978 saw the Corporation complete the installation of distribution coaxial cable for delivering cable TV in four Saskatchewan centres. As a result, conventional cable television became available in Regina, Saskatoon, Moose Jaw and North Battleford. In addition, closed circuit television was being offered in the three centres of Regina, Saskatoon and Moose Jaw.

19. Inset: Two Telesat analysts plan a re-orientation manoeuvre of a satellite.

20. Telesat Canada's three generations of satellites, (r to l), Anik A, Anik B and the yet to be launched Anik C.



TRANSCANADA TELEPHONE SYSTEM

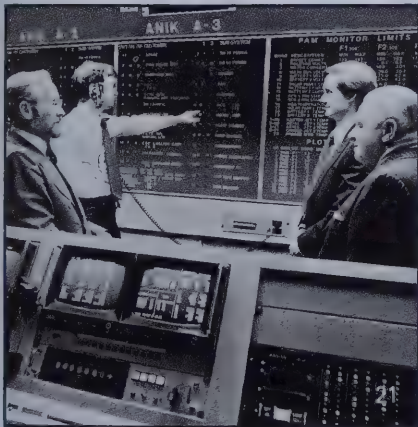
During 1978, the TransCanada Telephone System (TCTS) experienced a continuing expansion of data services, the further integration of satellites into the long distance network, more challenges from competitors and ever increasing interest by regulators.

SASK TEL, as one of the ten members of TCTS, continued its staffing commitment to the national system during 1978 with several employees assigned to TCTS.

In December, Telesat Canada, the latest member of TCTS, launched its newest and most powerful communications satellite — Anik B. The half ton satellite

is the first in the world to offer commercial services in a higher frequency band, permitting the location of earth stations in urban areas.

When in its permanent position, Anik B will locate in a geostationary orbit over the equator, almost in line longitudinally with North Battleford. The new satellite has been approved for a number of pilot projects in the areas of health, education, community communication and television distribution.



21. Telesat's control centre in Ottawa took over control of the Anik B satellite 26 minutes after lift off.

22. Update '78 held in Regina at the Saskatchewan Centre of the Arts attracted over 500 visitors.

23. Left to right: R. A. Falconer, T. A. Howe, General Counsel and J. C. Meldrum.



FINANCIAL



24. J. J. Grossman (left) and N. F. Stepán, Comptroller.

The financial statements which follow reflect the continued growth in SASK TEL operations in 1978.

Operating revenues reached \$164.4 million, a 21.4% increase over 1977. Contributing to the \$28.9 million increase were growth in both telephones in service and long distance calling, addition of cable television revenues and rate increases introduced for Provincial and TransCanada services.

Operating expenses totalled \$117.2 million, an increase of 18.7% over 1977. Of the \$18.4 million increase, salaries and employee benefits accounted for \$8 million, depreciation \$6.5 million and materials, services and taxes \$3.9 million. The increases reflect the added costs associated with growth in volume of telecommunication services, coupled with cost increases experienced in all our areas of operation.

Interest and related costs rose by \$8.5 million to \$30.7 million in 1978. The increase reflects the impact of additional external borrowing and the decline in value of the Canadian dollar relative to the United States dollar.

Net Income of \$19.5 million is up \$1.5 million (8.5%) from 1977 and represents a 4.2% rate of return on average capital

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of the Province of Saskatchewan:

I have examined the statement of financial position of Saskatchewan Telecommunications as at December 31, 1978 and the statements of income, changes in financial position and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of Saskatchewan Telecommunications as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan,
February 9, 1979.

W. G. Lutz, C.A.
Provincial Auditor.

employed. One half of the 1978 Net Income amounting to \$9,725,000 has been declared as a dividend to the Crown Investments Corporation of Saskatchewan.

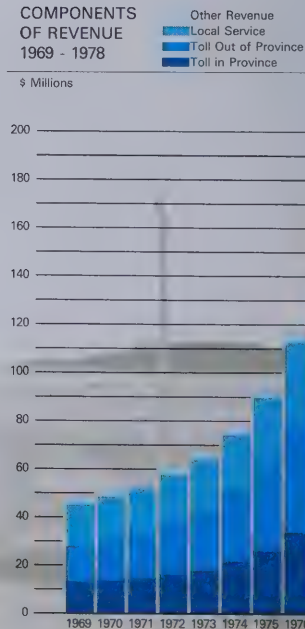
Net funds inflow for 1978 amounted to \$128.2 million with operations generating \$48 million and net external borrowing providing \$80.2 million. External borrowing consisted of Province of Saskatchewan 25 year Canadian 9.50% bonds of \$30 million and 30 year United States 9.25% bonds of \$50 million converted to \$55.7 million Canadian at time of issue. Out of these proceeds, bank notes payable of \$5.5 million were retired.

Capital requirements for 1978 totalled \$108.6 million consisting of net construction expenditures of \$91.6 million, sinking fund provision and debt retirement of \$7.3 million and a dividend of \$9.7 million. The excess of funds inflow over capital requirements of \$19.6 million is reflected in working capital, primarily in the form of short-term cash investments to be used in the 1979 capital program.

Gross construction expenditures amounted to \$97 million bringing our total investment in telecommunications property as at December 31, 1978, to \$649.7 million.

COMPONENTS
OF REVENUE
1969 - 1978

\$ Millions



STATEMENT OF INCOME

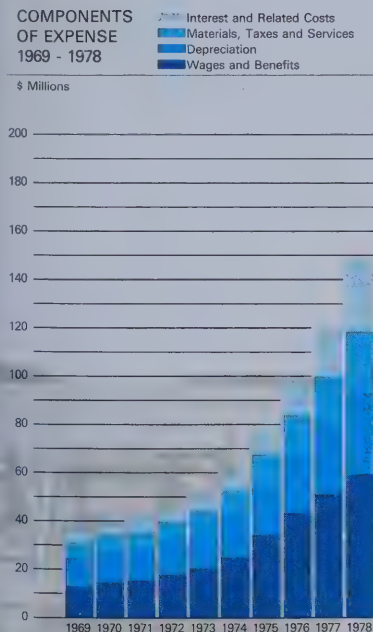
For the Year Ended December 31

	1978	1977
	Thousands of Dollars	
OPERATING REVENUES		
Local Service	\$ 51,345	\$ 42,706
Toll Service	108,651	89,699
Other Revenues (Note 2)	4,403	3,057
TOTAL OPERATING REVENUES	164,399	135,462
OPERATING EXPENSES		
Salaries	52,361	45,260
Pensions and Other Employee Benefits	6,662	5,730
Depreciation	33,895	27,392
Materials, Services and Taxes	24,324	20,410
TOTAL OPERATING EXPENSES	117,242	98,792
NET OPERATING REVENUE	47,157	36,670
OTHER INCOME	2,976	3,462
	50,133	40,132
INTEREST AND RELATED COSTS (Note 3)	30,665	22,190
NET INCOME	\$ 19,468	\$ 17,942

The accompanying notes are an integral part of the financial statements.

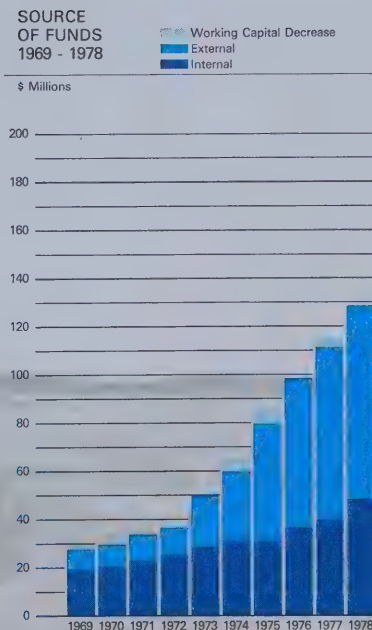
**COMPONENTS
OF EXPENSE
1969 - 1978**

\$ Millions



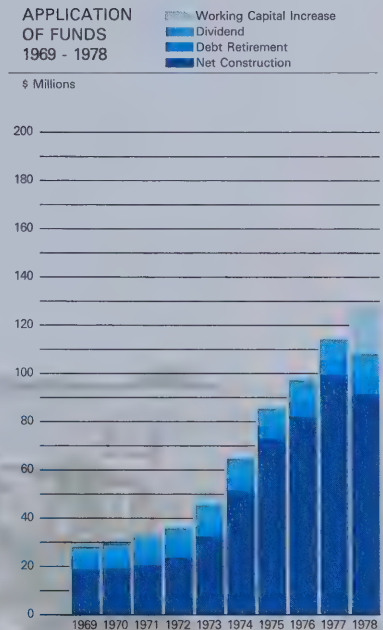
**SOURCE
OF FUNDS
1969 - 1978**

\$ Millions



**APPLICATION
OF FUNDS
1969 - 1978**

\$ Millions



STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31

	<u>1978</u>	<u>1977</u>
	Thousands of Dollars	
SOURCE OF FUNDS		
Operations		
Net Income	\$ 19,468	\$ 17,942
Add: Depreciation and Other Items not requiring Current Funds	<u>28,522</u>	<u>21,999</u>
	47,990	39,941
External		
Long Term Debt and Notes Payable (Net)	<u>80,223</u>	<u>71,050</u>
	\$ <u>128,213</u>	\$ <u>110,991</u>
APPLICATION OF FUNDS		
Construction Expenditures		
Gross	\$ 97,045	103,739
Less: Net Salvage Value of Plant Retired, Capital Contributions and Other Items not requiring Current Funds	<u>5,455</u>	<u>4,196</u>
	91,590	99,543
Sinking Fund Installments and Long Term Debt Repayments	7,293	6,054
Dividend	9,725	8,975
Working Capital Increase (Decrease)	<u>19,605</u>	<u>(3,581)</u>
	\$ <u>128,213</u>	\$ <u>110,991</u>

STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31

	<u>1978</u>	<u>1977</u>
	Thousands of Dollars	
Balance at Beginning of Year	\$ 100,197	\$ 91,230
Add: Net Income	<u>19,468</u>	<u>17,942</u>
	119,665	109,172
Less: Dividend	<u>9,725</u>	<u>8,975</u>
Balance at End of Year	\$ <u>109,940</u>	\$ <u>100,197</u>

STATEMENT OF FINANCIAL POSITION

As At December 31

	1978	1977
	Thousands of Dollars	
ASSETS		
Telecommunications Property		
Land, Buildings and Equipment	\$ 618,798	\$ 521,918
Plant Under Construction	21,658	35,175
Materials and Supplies	<u>9,240</u>	<u>9,395</u>
	649,696	566,488
Less: Accumulated Depreciation	<u>168,315</u>	<u>144,862</u>
	<u>481,381</u>	<u>421,626</u>
Investment — Telesat Canada (Note 4)	<u>999</u>	<u>999</u>
Current Assets		
Cash and Temporary Cash Investments — at cost (Approximates Market)	11,677	526
Accounts Receivable	26,162	20,457
Prepayments	<u>1,118</u>	<u>1,051</u>
	<u>38,957</u>	<u>22,034</u>
Deferred Charges		
Unamortized Discount on Long Term Debt	4,355	3,446
Unamortized Unrealized Net Foreign Currency Losses	<u>18,852</u>	<u>—</u>
	<u>23,207</u>	<u>3,446</u>
	<u>\$ 544,544</u>	<u>\$ 448,105</u>
LIABILITIES		
Long Term Debt		
Province of Saskatchewan (Note 5)	\$ 453,663	\$ 350,715
Less: Equity in Sinking Funds (Note 5)	<u>54,606</u>	<u>46,747</u>
	<u>399,057</u>	<u>303,968</u>
Retained Earnings	<u>109,940</u>	<u>100,197</u>
Notes Payable (Note 6)	<u>—</u>	<u>5,500</u>
Current Liabilities		
Accounts Payable	15,157	20,270
Interest Accrued on Long Term Debt	7,061	5,704
Dividend Payable	9,725	8,975
Service Billed in Advance	<u>2,230</u>	<u>1,905</u>
	<u>34,173</u>	<u>36,854</u>
Unamortized Gain on Retirement of Long Term Debt before Maturity	<u>1,374</u>	<u>1,586</u>
	<u>\$ 544,544</u>	<u>\$ 448,105</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Telecommunications Property

Telecommunications Property is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily identifiable and quantifiable with the construction activity. In addition, the Corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Depreciation

Depreciation is computed on the straight line method using rates as determined by a continuing program of engineering studies for each class of property in service. The composite depreciation rate on the average depreciable telecommunications property in service was 6.41% in 1978 (6.33% in 1977).

PENSION FUND OBLIGATIONS

SASK TEL Superannuation Plan

Under this Plan, SASK TEL provides service pensions for its employees based on age, length of service and rates of pay. The costs are met on a current basis through regular payments into the SASK TEL Superannuation Fund. An actuarial valuation of the Fund at December 31, 1974, indicated that all vested interests of former employees are fully funded. The valuation further indicates that to fund fully the estimated future obligations to present employees over their working lifetime, SASK TEL continue contributions at the same levels as in previous years. SASK TEL continues to follow this policy. SASK TEL and employee contributions accrued and paid into the Superannuation Fund are as follows:

	<u>1978</u>	<u>1977</u>
	Thousands of Dollars	
SASK TEL	\$ <u>6,046</u>	\$ 5,277
Employee	<u>3,455</u>	<u>2,863</u>
	\$ <u>9,501</u>	\$ <u>8,140</u>

Public Employees Superannuation Plan

SASK TEL provides pensions for employees covered under this Plan by the purchase of an annuity from the employee contribution and the SASK TEL 5% of salary contribution plus the interest accumulated to retirement date. The Plan applies to all employees hired on or after October 1, 1977. In addition, all employees covered under the SASK TEL Superannuation Plan had the

option to transfer to this Plan by October 1, 1978. A total of 223 employees exercised this right bringing the number of SASK TEL employees in the plan as at December 31, 1978 to 759. Costs of this plan are met on a current basis through regular payments into the Public Employees Superannuation Plan. SASK TEL pension costs accrued and paid into the Plan amounted to \$243,000 in 1978 (\$6,000 in 1977).

Gain on Retirement of Long-Term Debt Before Maturity

Under a modified Sinking Fund Policy, long-term debt may be retired prior to maturity through cancellation of the Province of Saskatchewan bonds held in the Sinking Fund. Any gain is amortized over the remaining life of the advance. An amount of \$212,000 was amortized and credited to income in 1978 (\$233,000 in 1977).

Foreign Currency Translation

In 1978 SASK TEL adopted the temporal method of accounting for the translation of foreign currency amounts. In accordance with recommendations of the Canadian Institute of Chartered Accountants, any future unrealized exchange gains and losses relating to the translations of net long-term debt will be amortized over the remaining life of the net debt. This recommendation has not been applied retroactively. If this recommendation had been applied retroactively, net income for 1978 would have increased by \$9,000, and retained earnings as at December 31, 1978 would have been reduced by \$224,000.

NOTE 2 — OTHER REVENUES

	<u>1978</u>	<u>1977</u>
	Thousands of Dollars	
Directory Advertising and Sales	\$ <u>2,760</u>	\$ 2,303
Rural Company Connecting Fees	<u>180</u>	406
Building and Other Rentals	<u>1,267</u>	<u>1,026</u>
Cable Television Services	<u>1,189</u>	<u>3</u>
Uncollectible Operating Revenues	<u>(993)</u>	<u>(681)</u>
	\$ <u>4,403</u>	\$ <u>3,057</u>

NOTE 3 — INTEREST AND RELATED COSTS

	1978	1977
	Thousands of Dollars	
Interest on		
Long-Term Debt	\$ 35,040	\$ 27,558
Amortization of		
Discount	258	226
Amortization of		
Foreign Currency Losses . .	693	—
	<u>35,991</u>	<u>27,784</u>
Less: Sinking Fund		
Earnings	4,053	3,754
Gain on Debt		
Retirement	212	233
Interest Charged		
Construction	1,061	1,607
	<u>\$30,665</u>	<u>\$22,190</u>

NOTE 4 — INVESTMENT — TELESAT CANADA

This investment represents 99,900 common shares of no par value, of Telesat Canada at an issue price of \$10 per share.

NOTE 5 — LONG TERM DEBT — — PROVINCE OF SASKATCHEWAN

Percent	Due Date	Recorded Debt Outstanding Thousands of Dollars
5.000	Sept. 30, 1979	\$ 2,118
6.000	Oct. 1, 1979	6,366
5.250	Oct. 16, 1981	3,534
5.500	Nov. 15, 1982	3,225
5.000	Sept. 1, 1983	8,983
4.750	Jan. 2, 1984	3,326 (a)
5.500	Jan. 15, 1984	5,878
5.500	July 15, 1985	3,285
5.500	Dec. 1, 1985	6,347
5.650	1986	7,401 (b)
5.698	1987	2,682 (b)
6.000	Mar. 1, 1987	3,947
6.549	1988	2,000 (b)
7.541	1989	10,100 (b)
8.093	1990	9,806 (b)
4.875	Oct. 1, 1990	8,597 (a)
7.125	1991	9,461 (b)
7.528	1992	15,093 (b)
7.689	1993	8,644 (b)
7.750	Feb. 15, 1998	5,000
8.250	Dec. 3, 1998	15,000
10.000	Dec. 2, 1999	25,000 (c)
9.875	Nov. 3, 2000	30,000 (d)
10.250	Apr. 1, 2001	25,000 (e)
9.000	Feb. 1, 2002	25,000 (f)
9.500	June 15, 2003	30,000
8.700	Nov. 15, 2006	59,290 (a)(g)
8.625	May 15, 2007	59,290 (a)(h)
9.250	Apr. 15, 2008	59,290 (a)
		<u>\$453,663</u>
Less: Equity in Sinking Funds		<u>54,606 (i)</u>
Net Long Term Debt — December 31, 1978 . . .		<u>\$ 399,057</u>

- Represents long-term debt repayable in United States dollars having a U.S. face value of \$160,055,000 converted to \$169,697,000 Canadian at time of issue. It is recorded in Canadian Dollar equivalent of \$189,793,000 based on the foreign exchange rate prevailing as at December 31, 1978.
- Long-term debt totaling \$65,187,000 received through the Canada Pension Plan under 20 year terms, are subject to redemption on six months notice.
- Subject to prior redemption on December 2, 1994 or any interest payment date thereafter.
- Subject to right of prepayment on November 3, 1983, if the holder so elects. Also subject to prior redemption on November 3, 1995, or any interest payment date thereafter.
- Recallable in full after April 1, 1996, at option of Province of Saskatchewan.
- Redeemable after February 1, 1997, at option of Province of Saskatchewan.
- Redeemable on November 15, 1991, at option of SASK TEL subject to payment of premium.
- Redeemable after May 15, 1992, at option of Province of Saskatchewan on a reducing premium basis to May 14, 2002, and redeemable at par thereafter.
- Under conditions attached to all long-term debt, SASK TEL is required to pay annually into Sinking Funds administered by the Province of Saskatchewan amounts ranging from 1% to 3% of the original value of long term debt received. The equity shown includes United States investments held in the fund having a U.S. value of \$2,968,000 recorded at \$3,519,000 Canadian Dollar equivalent based on the foreign exchange rate prevailing as at December 31, 1978.
- Total Sinking Fund installments and long-term debt repayments (net of Sinking Fund Equity) on outstanding debt over the next five years are as follows:

1979 —	\$ 5,740,000
1980 —	\$ 5,997,000
1981 —	\$ 6,916,000
1982 —	\$ 6,153,000
1983 —	\$(1,885,000)

NOTE 6 — NOTES PAYABLE

Notes payable represents interim capital financing arranged under Lines of Credit established with the Province of Saskatchewan and the Bank in the aggregate amounts of \$25 million and \$15 million respectively.

NOTE 7 — CONTINGENCIES

SASK TEL is a defendant in several court actions related to the expropriation of lands in downtown Regina. Some of these actions contest the validity of the expropriation. Others contest the amount of compensation offered for the lands. On advice of counsel, SASK TEL is contesting all these actions and believes that it has valid defences to them. Provision has been made for these actions in the amount of compensation offered for the lands.



TEN-YEAR RECORD OF SERVICE

at December 31	1978	1977	1976	1975
TELEPHONES				
SASK TEL Owned	551,053	516,312	451,685	421,792
Connected*	172,792	191,901	140,998	142,284
Net Increase*	34,741	64,627	29,893	30,819
Rural Company Owned (Switched by SASK TEL)	9,040	13,687	47,762	49,721
Telephones Per 1000 People	590	563	531	510
NUMBER OF EXCHANGES				
	342	338	335	332
NUMBER OF TOLL OFFICES				
	4	12	18	21
LONG DISTANCE MESSAGES (Thousands of Messages)				
(Origin — Saskatchewan)*	59,108	52,171	46,948	42,341
FINANCE (In Thousands of Dollars)				
Operating Revenues*	\$164,399	\$ 135,462	\$ 115,589	\$ 92,101
Operating Expenses*	\$117,242	\$ 98,792	\$ 83,334	\$ 67,311
Interest and Related Costs*	\$ 30,665	\$ 22,190	\$ 13,863	\$ 9,831
Net Income*	\$ 19,468	\$ 17,942	\$ 19,061	\$ 15,191
Dividend*	\$ 9,725	\$ 8,975	\$ 9,500	\$ 7,601
Gross Construction Expenditures*	\$ 97,045	\$ 103,739	\$ 87,179	\$ 76,561
Telecommunications Property	\$649,696	\$ 566,488	\$ 470,992	\$ 394,901
Long Term Debt — Province of Saskatchewan	\$453,663	\$ 350,715	\$ 278,952	\$ 208,271
Debt as a Percent of Year-End Capital	78.4%	75.5%	73.0%	70.3%
EMPLOYEES AND PAYROLL				
Number of Employees	3,957	3,820	3,622	3,341
Salaries Earned* (Thousands of Dollars)	\$ 67,369	\$ 58,953	\$ 50,087	\$ 39,901

*For the Year Ended December 31

1974	1973	1972	1971	1970	1969
390,973	366,515	344,661	328,126	314,981	306,883
125,643	123,372	110,233	100,608	94,527	96,581
24,458	21,854	16,535	13,145	8,098	9,874
50,254	50,648	50,616	50,723	51,062	51,583
485	459	431	409	393	376
330	332	337	345	359	370
24	26	26	18	21	42
36,126	28,995	23,170	20,653	18,896	18,272
\$ 76,566	\$ 66,237	\$ 59,777	\$ 53,885	\$ 50,546	\$ 47,095
\$ 52,164	\$ 44,175	\$ 39,636	\$ 35,753	\$ 33,821	\$ 30,892
\$ 7,428	\$ 6,027	\$ 5,836	\$ 5,506	\$ 5,366	\$ 5,661
\$ 17,516	\$ 16,366	\$ 14,435	\$ 12,723	\$ 11,718	\$ 10,776
\$ 8,750	\$ 8,150	\$ 7,200	\$ 6,350	\$ 5,850	\$ 5,400
\$ 54,085	\$ 36,010	\$ 25,616	\$ 22,660	\$ 22,418	\$ 22,866
\$ 331,488	\$ 287,178	\$ 261,329	\$ 246,289	\$ 232,742	\$ 220,637
\$ 182,154	\$ 159,303	\$ 137,712	\$ 139,144	\$ 132,102	\$ 147,831
67.2%	66.5%	66.9%	69.6%	71.9%	74.8%
2,974	2,695	2,556	2,449	2,434	2,435
\$ 29,325	\$ 23,339	\$ 20,395	\$ 17,896	\$ 16,352	\$ 15,349

26. Leo Courville (left) and R. J. Allen,
General Planning Manager.

27. W. G. Robinson (left), Superintendent of
Rural Telephones and Harold Booth.

